

January 10, 2013

**Mixed Drink Tax Meeting To Discuss Appropriation**

Present:

Kenneth Carey, Cumberland County Mayor  
Nathan Brock, Cumberland County Finance Director  
Fred Houston, City of Crossville Finance Director  
Donald Andrews, Director of Schools  
David Rutherford, City Manager  
Bob Scarborough, Board of Education Finance Director  
Valerie Hale, Assistant City Clerk

David Rutherford opened the meeting by reviewing the state law regarding TCA §57-4-306 which states that all gross receipt taxes from mixed drinks shall be distributed as follows:

50% to the State general fund to be earmarked for education purposes; and  
50% to the local government (½ to BOE, ½ to City)

The distribution was discussed that the State automatically gets ½ and the remaining half is to be split between the BOE (earmarked for education) and the City, which equals the BOE getting 25% of total tax (50% of the local share).

Mr. Rutherford went on to explain that 48 cities had not distributed the funds appropriately and Crossville was one of them. The City has been advised by the Comptroller that 7 out of the 48 had worked out a solution locally and advised the rest of the cities to do so as well.

It was discussed that this is the only tax that is not split prior to the local governmental agencies receiving. The group also discussed that all counties have been receiving mixed drink tax whether or not they have liquor by the drink and that's another contributing factor as to why this was overlooked.

The group discussed that the Legislature could make some changes in policy to correct the problem. Mr. Brock predicts that the Legislature is not likely to split the tax prior to distribution due to the fact that some counties have special school districts, city schools, etc.

Mr. Andrews reported he had received a call from the Director of the School Board Association asking if they had encountered any problems resolving the issue. Mr. Andrews advised that he had not met with the officials yet, but did not expect any resistance.

Mr. Houston reviewed the mixed drink revenues and stated that he cannot be 100% sure about the numbers from 1983-2000 because the State did not keep records that far back and that he was using City of Crossville budgetary numbers. The amount of mixed drink collected from 1983-2000 is \$144,470 and from 2000-2013 is \$775,900. This calculated to \$460,185 being in question.

Mr. Rutherford continued by reviewing the list of contributions the City has made since 1999 to the Board of Education and Cumberland County:

SRO Officers	\$ 836,291
Widening of 4 <sup>th</sup> and Stanley streets (turn lanes)	\$ 55,125
	\$ 51,995
Sidewalks around high school	\$ 30,192
Cook/Genesis Rd. Project (SMHS)	\$1,994,290
Inside water rates for schools (per year savings)	\$ 30,000
Safe Routes to School	\$ 27,193
DARE Program through 2008	\$ 41,516
Trees at Martin Elementary	\$ 7,106
Total	\$3,073,708

(This does not include use of patrolmen for traffic control at CCHS and free use of the Palace Theatre for field trips.)

Mr. Rutherford stated that in light of the millions of dollars the City has already spent, that the City be given credit for these items and services the City is providing, so they would not be interrupted.

Mr. Scarborough stated that from 2001-2002 the BOE reimbursed the City for SRO officers.

Mr. Andrews stated that he was directed by the BOE to avoid any negotiations with the City. He stated he was not to agree to anything.

Mayor Carey stated:

- That a ½ cent sales tax increase was supposed to be for SRO officers and that this issue is still troublesome to some
- County provides community complex at no charge for law enforcement & public safety training for no charge to the City
- County provides a recycling center for no charge to the City
- County provides Convenience Center for no charge to the City
- County provides the Justice Center and does not charge the City for use of the jail
- County provides EMS services for no charge to the City

Mr. Rutherford advised that the agencies do not want to get into a “tit for tat” with the County over services. It would be a nightmare, create ill will and should be avoided if at all possible.

Mr. Andrews stated that the City would have provided many of the services listed anyway and that the City should not be given credit for them and again, he’s been advised by the BOE to not negotiate.

Mayor Carey also stated the City Council had voted to distribute funds from liquor sales to pay for SRO when package liquor sales passed in Crossville.

Mr. Houston advised that the City Council has the prerogative to rescind any action and cease distribution of the funds and/or other programs.

Mr. Andrews expressed that the BOE has no taxing authority and its funds keep getting reduced and other streams of revenue are going to have to be found.

Mr. Brock asked how future funds from the mixed drink tax will be distributed. Mr. Rutherford advised he would prefer sending the money to the County. He also stressed that going forward is not an issue; we need to deal with the past.

Mayor Carey says the City and the County have made a lot of progress in the last 4 years to mend their relationship and didn't want hinder the progress.

Mr. Rutherford asked for cooperation and reasonable proposals and advised the City cannot write a check for what is owed and would need to pay over time. Mr. Rutherford also inquired about where the check goes. Mr. Brock advised all funds are received through the Trustee's office.

The BOE meets on January 23 and the County Commission meets on January 21. Mr. Rutherford advised to let the elected officials know that they have met and are working on a resolution. He warned that the media can misconstrue things and we need to keep this amicable. Mr. Rutherford reminded everyone that we are really only talking about \$35,000 a year. It would be sad to ruin all relationships over such little money.

Mayor Carey emphasized that the City did not do this intentionally.

Respectfully submitted,

Valerie Hale  
Assistant City Clerk